CHAPTER 5
Revenue

The purpose of this chapter is to provide a brief overview of the revenues and funding sources available to finance transportation improvement in Alameda County. The CMA has adopted goals to increase transit use, reduce congestion and pollution, maintain the existing system, contribute to the economic vitality of the county and coordinate transportation and land-use planning. One thing is needed above everything else: money.

The transportation needs in the county are diverse. They require flexible funding sources that allow transportation improvements and services to be tailored to local requirements, including both the maintenance and operation of the existing system and the development of new facilities. Funds must be flexible enough to meet the varied needs of older cities and developing suburbs, the demands of people and freight movement, as well as demands for highway improvements and transit. At the same time, the CMA must assure that each of the county's four planning areas enjoys a level of investment commensurate with its share of the countywide population.

Flexibility in the use of funding is a critical aspect of the CMA's challenge to develop and maintain a balanced county transportation network.

The conclusion of the review of funding sources is that additional revenue mechanisms need to be established—and those mechanisms must match the variety of needs identified in the investment program of this plan.

WHAT FUNDING SOURCES ARE AVAILABLE?

Federal, state and local funds are generally available for the following purposes: highway construction, improvements and maintenance; local street and road improvements and maintenance; transit capital projects and operating subsidies; carpool and bicycle

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projects, bridge replacement and rehabilitation, paratransit, congestion pricing and operational improvements using new and advanced technologies.

Funds for freeway, local street and transit capital projects have been easier to obtain than funds for transit operating subsidies. Federal legislation has provided additional flexibility in the programming of road and transit capital funds, but funds for transit operations have continued to decline. Public policies regarding clean air and reduced freeway congestion rely on the availability of transit as an alternative mode; however, funds for maintaining existing services have eroded, and funds for new services are severely limited.

The funding sources available for both ongoing and new projects and programs include:

- State gas tax subventions to local government
- Transportation Development Act (TDA)/ State Transit Assistance (STA) revenues
- Bridge Toll Revenues
- Measure B Half-Cent Sales Tax Program
- State Transportation Improvement Program (STIP) funds
- AB 1107 half-cent sales tax revenues for transit (BART and AC Transit)
- Federal Transportation Efficiency Act for the 21st Century (TEA-21)
- Local fees paid by developers to reduce the negative impacts of their developments on traffic
- Vehicle registration fees for clean air programs, called the Transportation Fund for Clean Air in the Bay Area (TFCA)
- Reauthorization of the federal Transportation Efficiency Act for the 21st Century (TEA-21)
- State Environmental Enhancements and Mitigation (EEM)
- State Transportation Development Act (TDA), Article 3 – Bicycle and Pedestrian
- State Traffic Congestion Relief Program (TCRP) for specifically identified projects

TEA-21 was approved in June 1998 and covers a six-year period. This plan assumes that federal transportation funds will continue to flow to the

Bay Area and Alameda County at the same level as in the past.

Revenue sources available to Alameda County represent a significant investment opportunity. However, these revenues are not enough to allow the CMA to deliver the transportation system envisioned for the future.

HOW MUCH DO WE EXPECT?

County transportation plans are required to be considered in the development of the *Regional Transportation Plan* (RTP), MTC's long-range planning document that covers a 25-year period, from 2001 to 2025. The CMA's long-range plan breaks projects down into "tiers." Tier 1 can only contain projects that can fit into the total amount of funding that the CMA expects to be available from federal, state and local sources over the next 25 years. Tier 2 is based on funds that are not necessarily guaranteed but that are possible should state legislation be passed. Tier 3 is based on new revenues that could become available from new sources, such as a regional fuel tax or a surcharge on bridge tolls.

MTC has estimated that $81.4 billion will be available for the region over the 25-year period. As previously shown, funds come from all levels of government—federal, state and local. (See Chart 5.1 at right.)

COMMITMENT TO EXISTING SYSTEM

The maintenance, rehabilitation and management of the county transportation system requires an increasing financial commitment that, at a minimum, ensures its safety, reliability and existing service levels. If maintenance is deferred, the result is a substantial and increasing maintenance backlog. As shown in Table 5.1, revenue sources at all levels of government are dedicated to operations and maintenance of the existing transportation system. The commitment to these projects and programs are made prior to determining how funds should be allocated to "new" projects as discussed in Chapter 6.

Table 5.1 — Committed Funds in the Regional Transportation Plan, 2001-2025 (in billions)

DEDICATED USE	FEDERAL	STATE	REGIONAL	LOCAL	TOTAL
Transit Operation & Maintenance	$4.56	$1.48	$8.71	$33.62	$48.37
Roads Operation & Maintenance	$0.06	$3.67	$0.00	$4.40	$8.13
Transit Expansion	$1.34	$0.84	$0.02	$10.38	$12.58
Roadway Expansion	$0.00	$0.70	$0.00	$0.00	$0.70
Bridge Operation & Maintenance	$0.42	$0.00	$2.60	$0.00	$3.02
Other	$0.33	$0.12	$0.13	$0.55	$1.13
Total	$6.71	$6.81	$11.46	$48.95	$73.93

Source: Metropolitan Transportation Commission

REVENUES AVAILABLE FOR NEW INVESTMENT

The remaining funds available in the region for transportation improvements during the 25-year period are $7.5 billion. Of that, approximately half is available to the CMAs in the nine counties. The remaining half is dedicated to regional transit expansion, system management programs and Transportation for Livable Communities.

MTC has identified about $929.7 million in available revenues for Alameda County Tier 1 projects for the 25-year period. This estimate is based on the assumption that Alameda County will receive $587.4 million in State Transportation Improvement Program (STIP) funding and $342.2 million from federal STP/CMAQ monies. In Alameda County, transit capital shortfalls, Transportation for Livable Communities, MTS pavement maintenance and planning account for $416.1 million, leaving $513.6 available for other projects

To add to state and federal dollars, Alameda County voters recognized the importance of providing a local contribution to transportation improvements. In 2000, voters approved Measure B, which continued the half-cent sales tax on gasoline. Measure B will generate approximately $2 billion over 20 years. Funds generated by Measure B will be used in Tier 1 as well as for other projects. The county is also expected to receive about $42 million in TDA Bicycle and Pedestrian Funds, $57 million in Traffic Congestion Relief Program funds, $376 million in State Interregional Improvement Program funds and a share of New Starts funding. Local revenues will also provide additional funds.

HOW FUNDING IS LIMITED

Right now funding is limited in two ways. The first is that revenues have not matched the growth of the population—creating a revenue shortfall. The second is that present revenue sources lack the flexibility needed to respond to changing local needs.

Revenue collections did not keep pace with county population growth because of the California recession in the early 1990s and because the state gasoline tax had not been adjusted to account for the impacts of inflation. Revenue flexibility continues to be a problem because so many revenue sources can only be used for capital investment purposes. A common thread in the review of historical and current fund sources is the availability of dollars for capital investments versus the availability of operating funds. It is far easier to obtain funding to build a road than it is to maintain it, and for transit it is easier to buy a bus than it is to obtain the funds to operate it.

Given the CMA's goals of reducing congestion and air pollution and increasing transit usage, the funding of transit operations and local road maintenance continue to be critical issues.

The lack of funding for maintenance and transit operation is, to a large degree, dictated by the types of, and limitations on, funding sources. Some funding sources are specific for highways, for example, or for transit capital projects. Restrictions on fund sources can lead project sponsors and the CMA to make investment decisions based on funding source requirements and availability rather than on need. The result is a challenge to develop and maintain a balanced transportation network that meets the needs of local communities and ensures county mobility as well as regional connectivity.

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EQUITABLE DISTRIBUTION OF FUNDS

In 1992, in order to address the equitable distribution of available funds within the county, the CMA developed a funding equity formula based on population. The funds are divided among the four geographically defined planning areas established by the CMA. The four areas are as follows:

- North County including the cities of Albany, Berkeley, Oakland, Emeryville, Alameda, and Piedmont;
- Central County including the cities of Hayward and San Leandro and portions of the unincorporated area;
- South County including the cities of Newark, Union City and Fremont; and
- East County including the cities of Pleasanton, Dublin, and Livermore and portions of the unincorporated area.

The adopted CMA policies are that funding equity should be achieved over the 25-year life of the CMA's *Countywide Transportation Plan* with a verification and course correction, if necessary, every five years.

In essence, certain funds are distributed on the basis of annual population percentages to planning areas, which then determine the project programming for those funds on the basis of the goals established for the *Countywide Transportation Plan.* The funding equity policy provides for local response to local needs. Different communities require a different mix of transportation facilities and services.

It is expected that transit investments will make a significant contribution to increase mobility in established urban communities and in corridors linking those communities with the suburbs. In a more suburban setting, investments in roads and arterial transit services will most likely increase mobility and reduce congestion.

However, as the county continues to build out, transit operations will become more efficient in the less dense parts of the county. A key aspect of using revenues wisely is to determine the type of project or program that is best suited to meet local needs while still allowing people to move throughout the region.

- Not all of the revenues available for projects and services are included in the Funding Equity Formula. The funding sources to be included are listed below:
- State Transportation Improvement Program (STIP) funds
- State vehicle registration fee for clean air programs (TFCA)
- Transportation Efficiency Act for the 21st Century (TEA-21, formerly known as ISTEA)

REVENUE ISSUES

There are both opportunities and constraints with current and future revenue sources. Figure 5.1 outlines the issues that must be resolved in the development of a strategic financial program.

Current Revenues

Measure B will generate about $2.0 billion over 20 years. This amount will be fairly equally split between projects and programs. Another new funding source is the Traffic Congestion Relief Program (TCRP). However, California's energy crisis and the lack of protections put on this account make it vulnerable to raids for non-transportation purposes.

Future Revenues

What about the future? The CMA must develop a strategic plan to deliver the Tier 2 and 3 programs. Part of this planning process is to assess the feasibility of new revenue mechanisms to determine which are most viable, given the economy and possible need for voter approval.

In addition to the revenue options identified in Figure 5.1, the CMA intends to explore other revenue generators, such as development mitigation fees and congestion pricing.

Figure 5.1 — Future Revenue Sources

The CMA will develop a strategic financial plan to assess the feasibility of new revenue mechanisms. The following identifies issues for some candidate revenue sources. It is not expected that all of these revenue sources will be implemented or that it includes all future revenue sources.

REGIONAL GAS TAX

- 10-cent gas tax would generate $940 million over 25 years in Alameda County
- Voter approval needed for nine Bay Area County tax and expenditure plan; requires two-thirds majority vote
- Regional gas tax expenditure plan developed by MTC in consultation with CMA
- Uses to be specified in measure (road, transit, paratransit, capital projects and operating subsidies)
- Revenue estimate tied to fuel use; including estimate of revenue generated by zero-emission fuels
- Inflation impact (project costs may escalate above revenue generated)

COUNTY GAS TAX

- 10-cent gas tax would generate $940 over 25 years in Alameda County
- With enabling legislation, CMA (and adjoining counties) could develop gas tax proposal and expenditure plan for voter approval; requires two-thirds majority vote
- Uses to be specified in measure (road, transit, paratransit capital projects and operating subsidies) as determined by CMA and local jurisdictions
- Revenue estimated tied to fuel use; including estimate of revenue generated by zero-emission fuels
- Inflation impact (project costs may escalate above revenue generated)

SURCHARGE ON BRIDGE TOLLS

- Legislative approval is required.
- Candidate projects have been identified in Tier 3 to use as an advocacy tool.
- Would vary depending on volume of traffic on bridges.
- Inflation would impact with fixed fee.

TRAFFIC CONGESTION RELIEF PROGRAM (TCRP)

- Requires legislative approval.
- Candidate projects shown in Tier 2 to serve as advocacy tools.
- Inflation impact (project costs may escalate above revenue generated).
- Revenue tied to fuel use.

INCREMENTAL INCREASE IN FUEL TAX

- One-cent per gallon increase in the gas tax per year would generate $1.6 billion over 20 years in Alameda County.
- Under existing legislation, Alameda County (and other Bay Area counties) could receive an additional penny per gallon per year.
- Uses include road, transit, paratransit capital projects and operating subsidies.
- Revenue estimated tied to fuel use; including estimate of revenue generated by zero-emission fuels.
- Inflation impact (project costs may escalate above revenue generated).
- Subject to fluctuating economic conditions.

DEVELOPMENT IMPACT FEES

- Specified project list determines amount of revenue required to be generated
- Impact fee calculated based on projected residential and commercial development
- Nexus between fee and projects must be established
- Agreement on fee program among local jurisdictions and CMA must be established
- Only local jurisdictions can adopt fee structure and collect revenues
- Not used for maintenance
- Are difficult to use for transit capital projects and almost impossible for transit operating support (a shuttle bus might be required of a developer as a condition of development approval but not included in the determination of the impact fee)
- Applies only to new development, minimal revenue generated in built-out areas
- Subject to fluctuating economic conditions

State legislation passed in 2000 (AB 2928, Torlakson) specified that all funds generated by the sales tax on gasoline would be designated for transportation purposes. The law called the Traffic Congestion Relief Program (TCRP) had a “sunset” clause of six years, meaning it would expire in 2006. If the sunset clause was removed and the funds were available in perpetuity, approximately $443.8 in increased county share STIP funds would be available to Alameda County over the next 20 years. The Tier 2 investments as discussed in Chapter 6 assumes this funding is extended.

REGIONAL/COUNTY GAS TAX

AB 595 (Brown), approved by the State Legislature in 1997, authorizes MTC to impose a tax of up to 10 cents per gallon on gasoline sold in the Bay Area. The legislation requires that 95 percent of the revenues be "returned to source" based on county population, meaning that 95 percent of the money raised from this tax in Alameda County will be returned to the county.

Individual counties may impose a gas tax, in one-cent-per-gallon increments with no lifetime limit. A proposition must be submitted to the voters. Placement on the ballot requires a written agreement between the cities and the county on an expenditure plan.

BRIDGE TOLL INCREASE

Senate Bill 60 (Kopp) approved by the State Legislature in 1997, raised the Bay Area bridge toll by $1. The revenues are designated for seismic retrofit of state-owned toll bridges in the Bay Area. The $1 surcharge commenced on January 1, 1998, and will sunset on January 1, 2008. The legislation permits the surcharge to be extended for two years if MTC chooses to pay for amenities on the new eastern span of the Bay Bridge, relocation of the Transbay Terminal and bicycle/pedestrian access on the new span.

The Tier 3 investment program and "Blueprint Vision" shown in Chapter 6 reflect the CMA's candidate projects should new revenues, such as a regional gas tax or a continued surcharge on toll bridges, materialize.

ADVOCACY FOR TRANSIT OPERATING FUNDS

Throughout the development of the funding equity formula and the *Countywide Transportation Plan*, it was clear that both capital and operating fund sources for transit are insufficient to support the immediate development of the desired county transit network. In particular, the lack of transit operating subsidies is hampering and will continue to obstruct the CMA's stated goal to "improve transit access and transit use." The CMA will address this critical need by advocating additional and reliable funding for transit operations.

A Major Challenge

The CMA will have to determine the best strategic course of action regarding the establishment of additional revenue mechanisms. Each source presents a series of challenges and opportunities. While considering the establishment of any additional revenue mechanisms, the CMA must assess the national, state and regional economy as well as the mood of the voters toward perceived tax increases. In the past, Alameda County voters have demonstrated willingness to pay for improvements to the transportation network. Part of the challenge to the CMA in the development of its strategic financial program is to determine the best mechanism to generate revenue as well as the best mechanism that the voters will approve.

REVENUE POLICIES

The following policies will be used by the CMA to address the competing demands for revenues necessary to finance the CMA's vision of the future.

1. The CMA supports the establishment of a stable revenue source that sustains the transit service identified in this plan.
2. The CMA supports the establishment of a stable revenue source for maintenance and rehabilitation of local streets and roads as identified in this plan.
3. The CMA shall support increased flexibility in the use of existing revenue to apply funds for capital, operating or maintenance as the need dictates.
4. The CMA supports increased revenues for transportation purposes that may include one or a combination of the following:
    - Removal of the sunset clause on AB 2928
    - Extension of the surcharge on toll bridges
    - Countywide or regional gas tax
    - Development impact fees
    - Incremental increases to the state fuel tax
5. The CMA endorses the concept of a state constitutional amendment that would enable the voters of Alameda County and other counties to approve transportation sales tax measures by simple majority.